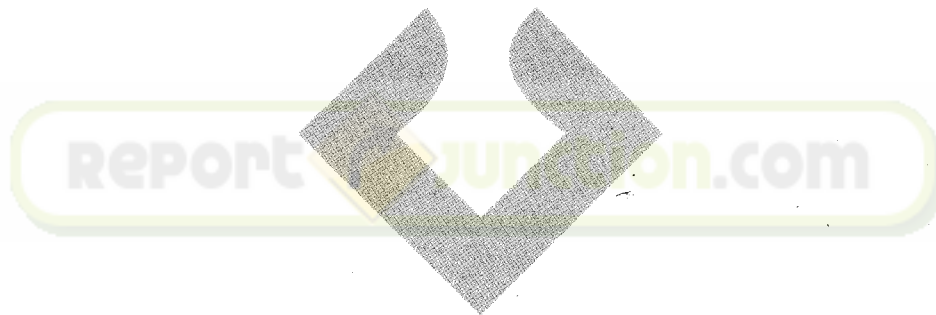


# Annual Report

## 2002-2003



**H. K. FINECHEM LIMITED**

**REGISTERED OFFICE :**

201, Aniket, C. G. Road,  
Navrangpura,  
AHMEDABAD - 380 009.

Phone : (079) 646 8752, 640 2429

Fax : (079) 646 0910

**WORKS :**

253/P, Chekhala,  
Sanand-Kadi Highway,  
Ta. Sanand,  
Dist. AHMEDABAD - 382 145.

Phone : (079) 3722617-18-19

Fax : (079) 3722616

**BOARD OF DIRECTORS**

**SHRI RAJAN R. HARIVALLABHDAS**

Chairman & Managing Director

**SHRI SANJAY S. LALBHAI**

(Upto April 16, 2003)

**SHRI SHYAM B. GHIA**

**SHRI CHINUBHAI R. SHAH**

**SHRI NAHOOSH J. JARIWALA**

Executive Director

**SHRI PRAFULL ANUBHAI**

**SHRI JANAK G. NANAVATY**

**SHRI VISHNU VARSHNEY**

(Nominee of GVFL Ltd.)

**AUDITORS :**

**M/S. C. C. CHOKSHI & CO.,**

Chartered Accountants,  
Ahmedabad.

**BANKERS :**

Bank of Baroda

General Manager (Finance)

& Company Secretary :

**RAJEN N. JHAVERI**

**SHARE REGISTRARS :**

Pinnacle Shares Registry Pvt. Ltd.

Near Ashoka Mills,

Naroda Road,

Ahmedabad - 380 025.



## NOTICE

NOTICE is hereby given that the Eighteenth Annual General Meeting of the Members of **H. K. FINECHEM LIMITED** will be held at Ahmedabad Textile Mills' Association's Hall, Ashram Road, Navrangpura, Ahmedabad - 380 009 on Friday, September 19, 2003 at 4.00 p.m. to transact the following business:

### Ordinary Business :

1. To receive, consider and adopt the Profit & Loss account for the year ended 31st March, 2003, the Balance Sheet as at that date and the Reports of the Board of Directors and the Auditors thereon.
2. To declare a dividend on 14% Cumulative Redeemable Preference Shares.
3. To appoint a Director in place of Shri Prafull Anubhai who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Janak G. Nanavaty who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors of the Company for the period commencing from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

### Special Business :

6. To consider and if thought fit, to pass, with or without modification, the following resolution as an **Ordinary Resolution** :

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 311 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Central Government as may be necessary, the consent of the Company be and is hereby accorded to the terms of reappointment of Shri Rajan R. Harivallabhdas as Managing Director of the Company for a period of 3 (three) years with effect from August 27, 2003 on the terms and conditions including remuneration as set out in the draft Agreement of the reappointment to be entered into by the Company with him and submitted to the Meeting, duly initialled by the Chairman for identification and which agreement is hereby specifically sanctioned."

"FURTHER RESOLVED THAT the Board of Directors and / or its committee be and is hereby authorised to vary and/or modify the terms and conditions of the Agreement including remuneration, commission and perquisites payable to Shri Rajan R. Harivallabhdas in such manner as may be agreed to between the Board of Directors and Shri Rajan R. Harivallabhdas within and in accordance with the limits prescribed in Schedule XIII to the Companies Act, 1956 or in accordance with the changes that may be affected in Schedule XIII of the Companies Act, 1956 and/or any amendments that may be made by the Central Government in that behalf from time to time or any amendments or re-enactment of the relevant provisions of the Companies Act, that may take place from time to time, during the above tenure of office of the Managing Director."

7. To consider and if thought fit, to pass, with or without modifications, the following resolution as an **Ordinary Resolution** :

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 311 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Central Government as may be necessary, the consent of the Company be and is hereby accorded to the terms of reappointment of Shri Nahoosh J. Jariwala as Executive Director of the Company for a period of 3 (three) years with effect from August 27, 2003 on the terms and conditions including remuneration as set out in the draft Agreement of the reappointment to be entered into by the Company with him and submitted to the Meeting duly initialled by the Chairman for identification and which agreement is hereby specifically sanctioned."

**ANNUAL REPORT 2002-2003**

"FURTHER RESOLVED THAT the Board of Directors and / or its committee be and is hereby authorised to vary and/or modify the terms and conditions of the Agreement including remuneration, commission and perquisites payable to Shri Nahoosh J. Jariwala in such manner as may be agreed to between the Board of Directors and Shri Nahoosh J. Jariwala within and in accordance with the limits prescribed in Schedule XIII to the Companies Act, 1956 or in accordance with the changes that may be affected in Schedule XIII of the Companies Act, 1956 and/or any amendments that may be made by the Central Government in that behalf from time to time or any amendments or re-enactment of the relevant provisions of the Companies Act, that may take place from time to time, during the above tenure of office of the Executive Director."

Ahmedabad  
June 30, 2003

**Registered Office :**  
201, Aniket, C. G. Road,  
Navrangpura,  
Ahmedabad - 380 009.

By Order of the Board  
**Rajen N. Jhaveri**  
General Manager (Finance)  
& Company Secretary

**NOTES :**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The relative Explanatory Statement, pursuant to Section 173 of the Companies Act, 1956 in respect of the business under item Nos. 6 & 7 above, is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Friday, the 25th July, 2003 to Thursday, 31st July, 2003, both days inclusive.
4. The document / paper referred to in the accompanying Notice are open for inspection at the Registered Office of the Company on all working days between 11.00 a.m. and 1.00 p.m. upto the date of the Annual General Meeting.

**ANNEXURE TO THE NOTICE**

(Explanatory Statement pursuant to Section 173 of the Companies Act, 1956)

**ITEM NOS. 6 and 7 :**

Resolution Nos. 6 and 7 of the Notice relate to the terms of reappointment and terms of remuneration of Shri Rajan R. Harivallabhdas as Managing Director and Shri Nahoosh J. Jariwala as Executive Director of the Company for a further period of three years from August 27, 2003 as the present term of appointment expires on August 26, 2003. The Board of Directors at its Meeting held on 30th June, 2003 have re-appointed, subject to shareholders' approval, Shri Rajan R. Harivallabhdas as Managing Director and Shri Nahoosh J. Jariwala as Executive Director on salaries and perquisites determined by the Remuneration Committee of the Board of Directors. The Board is of the opinion that both of them are fit and proper persons to hold the respective offices and their reappointment will be in the interest of the Company.

The material terms of remuneration payable to Shri Rajan R. Harivallabhdas are as follows :

**I. REMUNERATION :**

- (a) Salary : In the scale of Rs. 42000 - Rs. 50000 per month, with annual increment of Rs. 4,000 per month.
- (b) Commission : Equivalent to 1 % of net profit of the Company.



## (c) Perquisites :

## (i) Housing :

- (1) Residential accommodation or house rent allowance at the rate of 50 % of salary.
- (2) Expenses pertaining to electricity will be borne/reimbursed by the Company. This shall not exceed 30 % of the salary.

## (ii) Medical Expenses :

## Reimbursement of -

- (1) Premium on Medi-claim policies for self and family for amounts maximum allowed from time to time under Medi-claim policy and
- (2) Medical Expenses for self and family not exceeding one month's basic salary.

## (iii) Leave Travel Concession :

Leave travel concession (LTC) including boarding and lodging expenses incurred in India or abroad, at actuals once in a year in respect of himself and family not exceeding 3 months' salary. The LTC entitlement for any one year to the extent not availed shall be allowed to be accumulated upto next 2 years.

## (iv) Club Fees :

Reimbursement of Membership fee for upto 2 clubs in India.

## (v) Personal Accident Insurance :

The Company shall pay Personal Accident Insurance premium upto Rs.3,000 per annum.

## (vi) The Company shall contribute towards provident fund @ 12.00 % and superannuation @ 8.33 % of salary.

## (vii) The Company shall pay gratuity at a rate of half month's salary for each completed year of service.

## (viii) 30 (Thirty) days privilege leave with full pay and allowance for each completed year of service being accumutable and encashable.

## (ix) 15 (Fifteen) days of sick/casual leave per year, being non-accumutable and non-encashable.

## (x) Other perquisites :

Subject to overall ceiling on remuneration mentioned hereinbelow, the Managing Director may be given other allowances, benefits and perquisites as the Board / Remuneration Committee may, from time to time, approve.

## (d) Amenities :

## (i) Conveyance facilities :

The Company shall provide a car with driver at the entire cost to the Company.

## (ii) Communication facilities :

The Company shall provide telephone, E-Mail and other communication facilities at the residence of Managing Director.

**Explanation :**

Perquisites shall be evaluated as per Income-tax Rules, wherever applicable and in absence of any such rule, perquisites shall be evaluated at the actual cost.

**II OVERALL REMUNERATION :**

The aggregate of salary and perquisites in any financial year shall not exceed the limits prescribed from time to time under Section 198, 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the said Act as may be for the time being, in force.

**ANNUAL REPORT 2002-2003****III MINIMUM REMUNERATION ;**

In the event of loss or inadequacy of profits in any financial year during the currency of tenure of service of the Managing Director, the payment of salary, perquisites and other allowances shall be governed under Section II of the Part II of Schedule XIII to the Companies Act, 1956.

The material terms of remuneration payable to Shri Nahoosh J. Jariwala are as follows :

**I. REMUNERATION :**

- (a) Salary : In the scale of Rs. 31,000 - Rs. 33,000 per month, with annual increment of Rs. 1,000 per month.
- (b) Commission : Equivalent to 0.50 % of net profit of the Company.
- (c) Perquisites :
  - (i) Housing :
    - (1) Residential accommodation or house rent allowance at the rate of 30 % of salary.
    - (2) Expenses pertaining to electricity will be borne/reimbursed by the Company. This shall not exceed 20 % of the salary.
  - (ii) Medical Expenses :
    - Reimbursement of -
      - (1) Premium on Medi-claim policies for self and family for amounts maximum allowed from time to time under Medi-claim policy and
      - (2) Medical Expenses for self and family not exceeding one month's basic salary.
  - (iii) Leave Travel Concession :
    - Leave travel concession (LTC) including boarding and lodging expenses incurred in India or abroad, at actuals once in a year in respect of himself and family not exceeding 2 months' salary. The LTC entitlement for any one year to the extent not availed shall be allowed to be accumulated upto next 2 years.
  - (iv) Club Fees :
    - Reimbursement of Membership fee for upto 1 club in India.
  - (v) Personal Accident Insurance :
    - The Company shall pay Personal Accident Insurance premium upto Rs.2,000 per annum.
  - (vi) The Company shall contribute towards provident fund @ 12.00 % and superannuation @ 4.17 % of salary.
  - (vii) The Company shall pay gratuity at a rate of half month's salary for each completed year of service.
  - (viii) 30 (Thirty) days privilege leave with full pay and allowance for each completed year of service being accumutable and encashable.
  - (ix) 15 (Fifteen) days of sick / casual leave per year, being non-accumutable and non-encashable.
  - (x) Other perquisites :
    - Subject to overall ceiling on remuneration mentioned hereinbelow, the Executive Director may be given other allowances, benefits and perquisites as the Board / Remuneration Committee may, from time to time, approve.





(d) Amenities :

(i) Conveyance facilities :

The Company shall provide a car with driver at the entire cost to the Company.

(ii) Communication facilities :

The Company shall provide telephone, E-Mail and other communication facilities at the residence of Executive Director.

**Explanation :**

Perquisites shall be evaluated as per Income-tax Rules, wherever applicable and in absence of any such rule, perquisites shall be evaluated at the actual cost.

**II OVERALL REMUNERATION :**

The aggregate of salary and perquisites in any financial year shall not exceed the limits prescribed from time to time under Section 198, 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the said Act as may be for the time being, in force.

**III MINIMUM REMUNERATION ;**

In the event of loss or inadequacy of profits in any financial year during the currency of tenure of service of the Executive Director, the payment of salary, perquisites and other allowances shall be governed under Section II of the Part II of Schedule XIII to the Companies Act, 1956.

The Board commends the resolutions for your approval.

Shri Rajan R. Harivallabhdas and Shri Nahoosh J. Jariwala may be deemed to be concerned or interested in the said resolutions as above resolutions relate to their reappointment and payment of remuneration as Managing Director and Executive Director. None of the other Directors of the Company, is, in any way, concerned or interested in these resolutions.

The above explanatory statement sets out an abstract of material terms of the contracts with Managing Director and the same may be treated as an abstract of memorandum of interest in accordance with Section 302 of the Companies Act, 1956.

Ahmedabad  
June 30, 2003

**Registered Office :**

201, Aniket, C. G. Road,  
Navrangpura,  
Ahmedabad - 380 009.

By Order of the Board,  
**Rajen N. Jhaveri**  
General Manager (Finance)  
& Company Secretary

## ANNUAL REPORT 2002-2003

## DIRECTORS' REPORT

To,  
The Members,

Your Directors present the Eighteenth Annual Report together with the audited accounts for the year ended March 31, 2003.

**FINANCIAL RESULTS :**

	<b>(Rupees in Lakhs)</b>	
	<b>Year ended on 31-03-2003</b>	<b>Year ended on 31-03-2002</b>
Income	<b>1779.81</b>	1189.39
Operating Profit	<b>207.03</b>	48.88
Less : Depreciation	<b>108.52</b>	104.95
Profit/(Loss) before tax	<b>98.51</b>	(56.07)
Less : Provision for taxation		
- Current Tax	8.00	0.00
- Deferred Tax	<u>35.34</u>	0.00
Net Profit/(Loss) after Tax	<b>55.17</b>	(56.07)

**DIVIDEND :**

Your Directors recommend for your approval dividend on 14.00 % Redeemable Cumulative Preference Shares as follows :

(1) Rs. 14.00 per preference share for the year 2001-2002  
and

(2) Rs. 14.00 per preference share for the year 2002-2003.

In view of inadequacy of profits, no dividend is recommended on Equity Shares.

**OPERATIONS :****(A) SALES AND PROFIT :**

The sales and other income of the Company during 2002-03 were higher at Rs. 1779.81 lacs compared to Rs. 1189.39 lacs of previous year. This was mainly due to following two factors:

- (1) Higher sales, in terms of quantity, of various products.
- (2) Realisation of higher per unit sale price which was mainly due to increase in raw material prices.

To increase the profitability, the Company is exploring various possibilities like further saving in energy cost and optimising product mix so that higher production and higher export value can be achieved and simultaneously installing additional balancing equipment to achieve full utilisation of plant.

**(B) TECHNICAL ACHIEVEMENT :**

During the year, the Company could successfully achieve concentration of one of the streams of multiple distillation. This could make the said product exportable and realise relatively higher price compared to domestic disposal of the same.

Dimer Acid which was developed 'In-house' by the Company and introduced in the market during previous financial year has been well accepted by the users and Company is now one of the major suppliers of Dimer Acid alongwith imported Dimer of multinational foreign companies.



**(C) RAW MATERIAL :**

The Company was able to procure the required raw material from India as well as by Import from abroad.

**(D) EXPORT :**

The Company has been exporting its main export product viz. Deodorizer Distillate (Mixed Tocopherols) to Japan. The Company now also exports its newly developed stream to 2 U.S. based Companies.

**DIRECTORS :**

Shri Sanjay S. Lalbhai has resigned as Director of the Company during the year. The Board of Directors places on record, its appreciation of the support, guidance and the invaluable contribution made to the progress of the Company by Shri Sanjay S. Lalbhai.

Shri Prafull Anubhai and Shri Janak G. Nanavaty retire by rotation and being eligible offer themselves for re-appointment. The relevant resolutions relating to these appointments forming part of the Notice of the Annual General Meeting are placed for your approval. Brief particulars of the Directors retiring by rotation and names of companies in which they hold directorship and the membership / chairmanship of committees of the Board, as stipulated under clause 49 of the Listing Agreement, are given in the section on Corporate Governance Report.

**PERSONNEL :**

All the employees have worked with zeal and enthusiasm and your Directors wish to express their sincere appreciation to all the employees for their support, co-operation and dedicated services.

**PARTICULARS OF EMPLOYEES :**

There was no employee drawing an annual salary of Rs. 24.00 lacs or more where employed for full year or monthly salary of Rs. 2,00,000/- or more where employed for part of the year and therefore, no information pursuant to the provisions of sub-section (2A) of Section 217 of The Companies Act, 1956 read with The Companies (Particulars of Employees) Rules, 1975 is required to be given.

**Information as per Section 217(1)(e) read with Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988 :****A. Conservation of Energy****(a) Energy Conservation measures taken :**

During the year, new Coal / Lignite Fired Boiler was Commissioned.

**(b) Additional investments and proposals, if any, being implemented for reduction of consumption of Energy :**

The Company is exploring the possibility of modifying its process cycle to save on energy cost.

**(c) Impact of measures listed in (a) and (b) for reduction of energy consumption and consequent impact on the cost of production of goods :**

The measures mentioned in (a) above has resulted in savings in per unit fuel cost and (b) above would result in the savings in the consumption of fuel.

**(d) Total energy consumption per unit of production as per prescribed Form 'A' :**

As per annexure attached.

**B. Technology Absorption**

The Company maintained very stable yields and quality of all its products.

**ANNUAL REPORT 2002-2003****C. Foreign Exchange Earnings and outgo**

Foreign Exchange Earnings Rs. 4,28,85,061/-

Foreign exchange utilised Rs. 48,16,654/-

**DIRECTORS' RESPONSIBILITY STATEMENT :**

Pursuant to the requirement of Section 217 (2AA) of the Companies Act with respect to Directors' Responsibility Statement, the Directors hereby confirm :

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departures;
- (ii) that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year viz. March 31, 2003 and of the profit of the Company for that period;
- (iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the Directors have prepared the annual accounts on a going concern basis.

**AUDIT COMMITTEE :**

The Audit Committee constituted by the Board of Directors pursuant to the requirement under section 292A of the Companies Act, 1956 and subsequently re-constituted to comply with requirements of clause 49 of Listing Agreement now consists of following three independent Directors.

- |                            |          |
|----------------------------|----------|
| (1) Shri Chinubhai R. Shah | Chairman |
| (2) Shri Prafull Anubhai   | Member   |
| (3) Shri Vishnu Varshney   | Member   |

**CORPORATE GOVERNANCE :**

The requirements of 'Corporate Governance' as contained in Clause 49 of the Listing Agreement have become applicable to our Company from this financial year 2002-2003. A Report on the Corporate Governance Code alongwith a certificate from the Auditors of the Company regarding the compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement as also the Management Discussion and Analysis Report are annexed to this Report.

**FIXED DEPOSITS :**

During the year, the Company started accepting Fixed Deposits within the meaning of Section 58A of the Companies Act, 1956 and rules made thereunder. During the year, no deposit had matured for payment and so no deposit was unclaimed as on 31st March, 2003.

**AUDITORS :**

The term of M/s. C. C. Chokshi & Co., Chartered Accountants, Ahmedabad as Auditors, expires at the conclusion of this Annual General Meeting and they are eligible for re-appointment. The Auditors have given a certificate to the effect that the re-appointment, if made, will be within the prescribed limits specified under Section 224 (1-B) of the Companies Act, 1956.

**ACKNOWLEDGMENTS :**

The Directors place on record their sincere appreciation for the co-operation and assistance received from ICICI Bank Ltd., Bank of Baroda and Gujarat Industrial Investment Corporation Limited.

Ahmedabad  
June 30, 2003

For and on behalf of the Board,  
**Rajan R. Harivallabhdas**  
Chairman & Managing Director